

## **PUBLIC DISCLOSURE**

**July 2, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Home Savings Bank  
Certificate Number 26798**

**1455 East 2100 South  
Salt Lake City, Utah 84105**

**Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square  
San Francisco, California 94105**

**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Home Saving Bank, Salt Lake City, Utah**, prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **July 2, 2008**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

This evaluation relied upon records and reports provided by the bank, publicly available loan and financial information, demographic data, and information gathered as part of the evaluation process, including recent community contacts. A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the previous evaluation.

## INSTITUTION RATING

***INSTITUTION'S CRA RATING:*** This institution is rated **Satisfactory.**

Home Savings Bank's CRA performance depicts a satisfactory practice of providing for the credit needs of its assessment area (AA) in a manner consistent with its product lines, resources, and capabilities. The following supports this rating:

- The review of the bank's construction/land development loans showed excellent penetration in lending to businesses of different sizes. On average, approximately 84 percent of the loans reviewed were to businesses having less than \$1 million in annual revenues.
- The bank's lending portfolio of real estate loans to borrowers of different income levels reflects reasonable penetration including low- and moderate-income borrowers.
- Overall, the geographic distribution of loans reflects reasonable dispersion throughout the AA. No unexplained lending gaps were identified.
- A substantial majority of loans by number (85%) and dollar volume (87%) were extended within the bank's AA.
- The bank's loan-to-deposit ratio (98% over 20 quarters) is more than reasonable.
- The institution has not received any complaints relating to its CRA performance.
- No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## **SCOPE OF THE EVALUATION**

This evaluation reflects the bank's CRA performance since May 12, 2003. The evaluation was conducted from the institution's headquarters in Salt Lake City, Utah, relying on the records and reports provided by the bank and those publicly available. The loan and financial information, demographic data, and information gathered as part of the examination process, were also utilized, including community contacts. The bank's primary lending consists of construction, land development, and real estate loans. The review was predominately conducted within the bank's largest concentration of lending by category. The bank relies predominately on broker loans; customer walk-in-traffic is very limited.

Home Savings Bank's CRA evaluation utilized the small bank procedures. To assess the institution's performance, the following five lending performance criteria were analyzed: the bank's quarterly average net loan-to-deposit ratio; the level of lending within its AA; the distribution of lending to businesses (construction and land development) of different sizes and individuals of different income levels (borrower profile); the geographic distribution of loans; and the bank's response to any consumer complaints regarding its CRA performance. Of these criteria, the most weight was placed on the volume of lending to construction and land development businesses. The geographic distribution analysis was given less weight in determining the bank's overall CRA rating. The bank uses a broker system for the development of almost all loans, including Home Mortgage Disclosure Act (HMDA) reportable loans. A substantial majority of available land where development is occurring is in upper-income census tracts. Many of the HMDA-reportable loans are individuals buying homes in new developments in upper-income tracts. The majority of the low- and moderate-income tracts are located in areas having substantially less construction development activity.

Examiners evaluated the bank's CRA performance given the following performance context:

- The current economic environment,
- Demographic characteristics of the bank's AA,
- Lending opportunities within the AA,
- Bank financial resources and constraints,
- Bank product offerings and business strategy, and
- Information derived from community contacts.

The bank's performance data for construction and land development loans was compared to Dun & Bradstreet's (D&B) business data. HMDA lending aggregate data was also used for comparative purposes within the real estate lending analysis.

## DESCRIPTION OF INSTITUTION

Home Savings Bank is headquartered in Salt Lake City, Utah. It is a small full-service commercial banking institution with branches in Draper, and Park City, Utah. The bank offers commercial loans, commercial real estate loans, equipment financing, lot loans, construction loans, residential mortgages, home equity lines of credit, auto, and personal consumer loans. In addition, the institution also offers a variety of demand deposit and savings products. The hours of operation and availability of products and services are tailored to the convenience and needs of bank customers.

The Consolidated Report of Condition (Call Report) as of 3/31/08 reflects \$144,675,000 in total assets with total loans of \$136,950,000. Construction and land development loans representing approximately 48 percent or \$65,908,000 of the bank's lending portfolio. Table 1 below, reflects the composition of the institution's loan portfolio as of March 31, 2008.

<b>Table 1: Composition of Loan Portfolio as of March 31, 2008</b>		
<b>Loan Type</b>	<b>Dollar Amount (000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	65,908	48%
1-4 Family Residential	27,226	20%
Multifamily (5 or more) Residential	3,521	3%
Commercial Real Estate	38,000	27%
<b>Total Real Estate Loans</b>	<b>134,655</b>	<b>98%</b>
Commercial/Industrial	1,831	1%
Agricultural	689	1%
Consumer	124	0%
Leases Financing Receivables	44	0%
Less: Unearned Income	(393)	0%
<b>Total Loans</b>	<b>136,950</b>	<b>100%</b>

*Source: Call Report as of March 31, 2008 / Dollar amounts in thousands (000's)*

## DESCRIPTION OF ASSESSMENT AREA

The bank defined AA is the Salt Lake Metropolitan Statistical Area (MSA). This area combines Salt Lake, Summit, and Tooele counties. Table 2 shows selected MSA demographic data for the various income-designated geographies.

**Table 2: Salt Lake City MSA Demographic Information – 2007**

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A * % of #
Geographies (Census Tracts)*	205	2	22	48	28	0
Population by Geography *	968,858	1	22	50	27	0
Owner-Occupied Housing by Geography*	221,417	negligible	17	53	30	0
Business by Geography – 2007*	98,655	8	21	40	31	0
Family Distribution by Income Level*	233,707	17	20	25	38	0
Distribution of Low and Moderate Income Families throughout AA Geographies*	85,825	1	34	51	14	0
Housing and Urban Development (HUD) Updated MSA Median Family Income*		60,100				
Households (HH) Below Poverty Level* 8% of total HH		24,134				

Source: \*2000 US Census/ 2007 Business data & 2007 HUD updated Median Family Income

## Assessment Area's Economic Outlook

### Salt Lake County:

According to the U.S. Census Bureau, 2007 remained steady for Salt Lake County's economy, despite the rising gas prices and public housing markets sagging in other areas of the United States. The unemployment rate averaged around 2.5 percent. Employment gains in the county continue to be broad based, occurring among all major industrial sectors, according to the Utah State Department of Workforce Services. The construction industry experienced the strongest growth in 2007. Other industries that have seen growth during the year include trade, professional and business services, healthcare, and manufacturing.

Construction, both residential and commercial, continued to propel Salt Lake County's economy forward in 2007. There were more than 3,200 jobs created in the construction industry in 2007. Favorable interest rates, the expanding population, and the overall health of the state's economy are enabling this strong building activity.

### Summit County:

Recreational activities still substantively impact the area, although there are many farms located within the county boundaries. The area has not only become a desired travel destination, but has also become a very popular “second home” destination. Many individuals have built second homes or purchased condominiums in the area. This has fueled the large scale lot development and construction lending that the bank participates in.

### Tooele County:

Geographically, Tooele County is the second largest county in the state. Tooele County has many thriving communities including Tooele City and Stansbury Park. Each city has residents who commute to Salt Lake City every day for work. One of the largest employers in the area is the Toole Army Depot that has been involved in incinerating weapons since 1943 when the base was established. In the northern part of the county, the Bonneville Salt Flats, remnants of ancient Lake Bonneville, are famous

for the amount of flat land. The variety of things to do and see in Tooele County represents large recreational characteristics, and remains one of the driving economic forces in this area.

### **Community Needs:**

Existing contacts with various organizations within the Salt Lake MSA were reviewed for the past six months for the purpose of identifying credit needs. The following observations were expressed by these contacts:

- There is a great need for matching funds for Individual Development Accounts (IDAs). IDAs encourage savings by low- and moderate-income families for education, job training, homeownership, and micro enterprise pursuits.
- Additional financial education training for low-, moderate-, and middle-income families is needed.
- Additional funding is needed for low-income housing. Only a small percentage of the current demand for lending to developers of affordable housing is being met. There is a long list of qualified families waiting to purchase affordable units.
- Pre-purchase counseling is needed for first-time home owners.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The evaluation of the bank's lending performance was focused primarily on construction/ land development lending, and the consumer real estate loans that were made during the review period, which were subject to reporting under the HMDA. These categories of lending were selected for review because they represent the bank's primary lending focus and comprise a large portion of all loans originated by the bank during the review period.

#### **Lending in the Assessment Area**

A substantial majority of loans and other lending related activities are in the bank's AA. All HMDA reportable loans originated during 2006, 2007, and year-to-date (YTD) 2008 (78 loans) were reviewed. Also, a sample of the bank's construction and land development loans (167 loans) was also reviewed for those same years. Of these 245 loans, 207 were originated to borrowers or with properties located inside the AA, or approximately 85 percent. The dollar volume showed similar characteristics.

Table 3 shows the percentage of loans, by number and volume, that the bank extends within its AA. The bank's strategic business plan generally focuses on a commitment to construction/ land development lending within its AA. The bank's effort to conduct business within those areas, combined with its lending capabilities, is evidenced by the number/dollar of loans originated within the AA.



**Table 3: Distribution of Loans Within the Assessment Area**

YEAR	Loan Type:	Number of Loans					Dollar Volume of Loans (000s)				
		Inside		Outside		Total #	Inside		Outside		Total \$(000)
		#	%	#	%		\$(000)	%	\$(000)	%	
2006	Construction & Land Development	66	81	15	19	81	28,123	87	4,076	13	32,199
2006	Residential - HMDA Reportable Loans	32	94	2	6	34	7,960	96	320	4	8,280
2007	Construction & Land Development	58	79	15	21	73	30,994	84	6,084	16	37,078
2007	Residential - HMDA Reportable Loans	33	94	2	6	35	8,343	87	1,298	13	9,641
2008	Construction & Land Development	11	85	2	15	13	7,708	91	728	9	8,436
2008	Residential - HMDA Reportable Loans	7	78	2	22	9	2,071	74	733	26	2,804
<b>Aggregate Totals</b>		<b>207</b>	<b>85</b>	<b>38</b>	<b>15</b>	<b>245</b>	<b>85,199</b>	<b>87</b>	<b>13,239</b>	<b>13</b>	<b>98,438</b>

Sources: Bank's data for construction/land development loan origination between 1/ 2006 and year-to-date 2008; and HMDA reported data.

### Businesses of Different Size and Borrower of Different Income Levels:

#### Construction/Land Development Loans

The bank's penetration of construction/land development loans to businesses with gross annual revenues of \$1 million or less illustrates an excellent record of lending to small businesses within the AA. The following table provides the distribution of construction/land development loans by number and reflects a favorable dispersion among businesses of different revenues for the years 2006, 2007, and YTD 2008. In light of the ongoing demand for new housing, and second homes in recreational areas, the bank has developed a niche market with many of the smaller developers.

<b>Table 4: Distribution of Construction/Land Development Loans by Size of Business</b>							
Gross Annual Revenues (000s)	Percentage of Non-Farm Businesses	Home Savings Bank – Sample***					
		2006		2007		2008	
		#	%	#	%	#	%
≤ \$1,000	93	56	85	44	76	10	90
> \$1,000	7	3	4	7	12	0	0
Revenue not Reported	0	7	11	7	12	1	10
<b>Totals</b>	<b>100</b>	<b>66</b>	<b>100</b>	<b>58</b>	<b>100</b>	<b>11</b>	<b>100</b>

Sources: 2007 Dun & Bradstreet Business Data; \*\*\*Loan Sample and Bank Records

#### Real Estate Lending (HMDA Reportable)

The bank's distribution of HMDA loans to low- and moderate-income individuals reflects a reasonable penetration of lending among individuals of different income levels when comparing the bank's lending

performance to aggregate lending data for the bank's AA. The following table indicates the distribution of HMDA reportable loans within the AA by number of loans among borrowers of different income levels for the review period.

**Table 5: Distribution of Real Estate Loans (HMDA) by Borrower Income Level  
By Number of Loans For Activity Years 2006, 2007, YTD 2008**

Borrower Income Level	Total Percentage of Families Income Level	Aggregate Lending Data by Percentage	Home Savings Bank's Performance					
			HMDA Reportable Distribution by #/% of Loan Originations 2006		HMDA Reportable Distribution by #/% of Loan Originations 2007		HMDA Reportable Distribution by #/% of Loan Originations YTD 2008	
			%	#	%	#	%	#
<b>Low</b>	17	3	1	3	1	3	0	0
<b>Moderate</b>	20	18	5	16	5	15	2	29
<b>Middle</b>	25	25	2	6	3	9	0	0
<b>Upper</b>	38	49	22	69	22	67	5	71
<b>Unknown</b>	N/A	5	2	6	2	6	0	0
<b>Total</b>	100	100	32	100	33	100	7	100

Sources: 2007 HMDA Aggregate Report Data; Loan Sample and Bank Records

Overall, the performance to low-and moderate-income borrowers is similar to the aggregate data. Although there were no loans originated to low-income borrowers in YTD 2008, 29 percent of the loans were originated to moderate-income borrowers. The absence of lending in 2008 to low- and to middle-income borrowers is attributed to the current economic factors affecting the mortgage industry.

### Lending by Geography:

#### Construction Land Development Loans by Geography:

Table 6 illustrates the dispersion of construction/ land development loans by geography for 2006, 2007 and YTD 2008. The geographic distribution of construction/land development loans reflects a reasonable dispersion throughout the AA given the demographics of the available construction/land development areas. Table 6 demonstrates that the bank's lending distribution of construction/land development loans does not correlate with the low- and moderate- income tract demographics or aggregate data. However, several factors must be considered:

- The bank's primary business is extending construction/land development financing to developers of housing projects, originated through broker relationships. The available geographic locations of available land currently being developed are primarily in upper-income tracts.
- Only 17 percent of the AA's owner occupied housing is located in low- and moderate-income areas.

Given the bank's focus on working with smaller construction and development firms, and the location of available land for development, the bank's performance in this area is reasonable.

**Table 6: Distribution of Construction / Land Development Loans by Geography By Number of Loans for the Activity Years 2006, 2007, YTD 2008**

Census Tract Income Level	Total Percentage of Small Businesses By Tract	Aggregate Lending Percentage of Loans by#	Home Savings Bank's Performance		
			Distribution by #/% of loans 2006	Distribution by #/% of loans 2007	Distribution by #/% of loans YTD 2008
		%	#/%	#/%	#/%
<b>Low</b>	8	6	0 / 0	0 / 0	0 / 0
<b>Moderate</b>	21	19	10 / 15	7 / 13	1 / 10
<b>Middle</b>	40	39	12 / 18	16 / 27	3 / 26
<b>Upper</b>	31	33	44 / 67	35 / 60	7 / 64
<b>Unknown</b>	N/A	3	N/A	N/A	N/A
<b>Total</b>	<b>100</b>	<b>100</b>	<b>66 / 100</b>	<b>58 / 100</b>	<b>11 / 100</b>

Sources: 2007 CRA MSA Aggregate Report Data; Loan Sample and Bank Records.

### Real Estate Lending (HMDA Reportable) within the Assessment Area:

The bank's geographic distribution of HMDA lending within the AA reflects reasonable penetration. The table below illustrates the bank's geographic distribution of HMDA loans by number. This performance is reasonable considering the nominal levels of aggregate lending in low-income tracts. The bank's performance is similar to the aggregate for moderate income tracts.

**Table 7: Distribution of Residential Real Estate (HMDA) Loans by Geography By Number of Loans for the Activity Years 2006, 2007 and YTD 2008**

Census Tract Income Level	Total Percentage of Families By Tract	Aggregate Lending by Percentage	Home Savings Bank's Performance		
			Distribution by #/% of loans 2006	Distribution by #/% of loans 2007	Distribution by #/% of loans YTD 2008
		%	#/%	#/%	#/%
<b>Low</b>	1%	Negligible	0 / 0	0 / 0	0 / 0
<b>Moderate</b>	21%	15	4 / 11	4 / 12	1 / 14
<b>Middle</b>	51%	55	8 / 25	11 / 33	2 / 29
<b>Upper</b>	27%	24	20 / 64	18 / 55	4 / 57
<b>Unknown</b>	N/A	6	N/A	N/A	N/A
<b>Total</b>	<b>100%</b>	<b>100</b>	<b>32 / 100</b>	<b>33 / 100</b>	<b>7 / 100</b>

Sources: 2007 HMDA MSA Aggregate Report Data; Loan Sample and Bank Records.

### Loan-To-Deposit Ratio

This performance factor measures the extent to which the bank utilizes its deposit resources to extend credit. Home Savings Bank's average loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, competition, tenure, and AA credit needs. The average loan-to-deposit ratio was 98 percent, based on an average of 20 quarters since the previous evaluation, dated May 12, 2003.

The institution's ratio has gradually increased since the last CRA examination from 86 percent as of June 30, 2003, to 109 percent as of March 31, 2008. From year-end 2006 to year-end 2007, loans grew approximately 33 percent while deposits grew 21 percent.

The table below indicates the institution's quarterly loan-to-deposit ratio since the institution's last CRA Evaluation in May 12, 2003.

<b>Table 8: Quarterly Loan-to-Deposit Ratio</b>					
<b>Call Report Date</b>	<b>Ratio (%)</b>	<b>Call Report Date</b>	<b>Ratio (%)</b>	<b>Call Report Date</b>	<b>Ratio (%)</b>
06/30/2003	86	03/31/2005	96	12/31/2006	102
09/30/2003	83	06/30/2005	100	03/31/2007	99
12/31/2003	83	09/30/2005	102	06/30/2007	103
03/31/2004	85	12/31/2005	108	09/30/2007	104
06/30/2004	85	03/31/2006	111	12/31/2007	108
9/30/2004	92	06/30/2006	109	03/31/2008	109
12/31/2004	90	9/30/2006	103		
<b>Average Loan-to-Deposit Ratio over Twenty Quarters</b>					<b>98</b>

*Source: Consolidated Reports of Condition & Income*

### **Response to Complaints:**

The bank has not received any CRA-related complaints since its inception.

### **Fair Lending or Other Illegal Credit Practices Review:**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.